

When the Family Leaves the Business, Can Their Values Remain?

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We already know that family firms differ from non-family firms by their powerful commitment to core values that subordinate profit to other goals. While non-family companies use rationality and efficiency to guide decisions, family firms are more likely to operate based on what is right for their values at the expense of what is right for their money. The commitment to core values is even more prominent in long-lived firms where descendants of the founding family continue to be engaged in firm management, governance, and ownership.

What, however, can firms do to preserve their family values well after all family members have left?

Cadbury's Enduring Values

To address this question, we studied a very successful family firm that maintained a consistent focus on core values long after the descendants of the founding family had exited the firm: Cadbury, the oldest surviving family business in the UK. Cadbury was founded by two Quaker brothers in Birmingham, UK, in 1824. Quakers, also known as the Society of Friends, are a branch of Protestant Christians who believe in the capacity of individuals to directly interpret God's message unmediated by hierarchy or organized religion. Their core values encouraged members to refuse to participate in wars, avoid ostentatious dress or consumption, oppose slavery, and avoid alcohol. Quaker values also embrace honesty before success and emphasize fairness in commercial transactions and equity and democracy in internal decision-making. Quaker values provide the foundation for several prominent corporations in the UK, including Barclay's and Lloyd's banks, the shoemaker Clarks, and

confectionaries such as Rowntree Mackintosh, Fry, and Cadbury.

In 2010, however, Cadbury was acquired by Kraft Foods, a US-based multinational confectionery, food, and beverage conglomerate. Over time, and even after the descendants of the founding family have left, the core values of Cadbury continue to guide decision-making in the corporation. The original reputation of the firm as an ethical and moral organization persists despite the new, corporate ownership and the absence of direct influence by the family. Cadbury, thus, is an extreme case of enduring values in a former family firm and, as such, provides an excellent context to study the puzzle of how core values are maintained in a firm long after family members no longer participate in firm management.

Our Research

One member of our research team is a member of the Cadbury family. As a result, we had unique access to other family members, internal company publications, and the personal and public writings of several Cadbury chairmen across four generations of the founding family. We also examined the extensive public archives at the Cadbury Research Library and Special Collections at the University of Birmingham, the Cadbury Archive at Cambridge University, and the Company archives at Cadbury World, Bournville Village. The archival work took place in tandem with multiple interviews of family and non-family managers of the firm, both past and present

The analytic focus in reviewing the data was first to identify those values that recurred in the interviews,

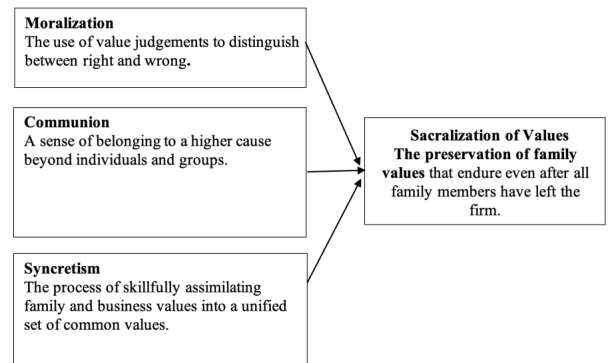
archival documents, and public awareness and could, therefore, be considered central to the organization. Perhaps unsurprisingly, these values – goodness, equality, meritocracy, and a commitment to communal cooperation – reflected pre-existing Quaker values. Part of the puzzle, however, was to figure out how, why, and when the Quaker values were embraced by managers and employees. We also sought to connect these values to core activities that differentiated the firm from competitors. A prominent example is Cadbury’s commitment to gender equality. The first female director was appointed to the board in 1913. Finally, we carefully studied the processes and practices that reinforced these values within the organization and transmitted them across generations.

Findings

The primary finding of this research is that Cadbury’s values endured because the company was able to transmute Quaker values from their origin in religion and spirituality into a more secular form. This was accomplished by translating religious values to broader humanistic values, and emphasizing the centrality and inviolability of those values to the essence of the organization.

We introduce the concept of “sacralization” to capture the process by which certain core values are so firmly embedded in an organization that they are considered inviolable or sacred. Because they are sacred, all organizational decisions must align with these values, and the values themselves must align with the prevailing values of the broader community or society of stakeholders within which the firm operates. In some cases, this meant that economic interests were made subordinate to organizational and societal values.

Figure 1: How Sacralization Works



By intertwining organizational, spiritual, and societal interests, Cadbury created a framework for organizational decision-making that prioritized core values of honesty, fairness, and equity in commercial transactions with external partners and values of diversity, democracy, and humility in internal transactions. The Cadbury approach contradicts the rational self-interest commonly taught in management schools and practiced by most large corporations.

How Core Values Become Embedded

We also discovered that the processes of sacralization at Cadbury were comprised of three recurrent mechanisms, which we call syncretism, moralism and communalism:

- Syncretism is the process of integrating the Quaker values of the family and the more rational and self-interested values of the business into a unified set of common organizational values that were consistent with broader societal values.
- Moralism is the process of ensuring that all organizational decisions complied with a value-judgment test that requires decision-makers to distinguish between outcomes that are morally right or wrong, not just for the organization, but also for the communities within which Cadbury operates.
- Finally, communalism is the process of subordinating individual or elite group interests to the interests of the organization as a whole, the interests of marginalized or less represented groups within the organization (i.e., women), and the interests of the broader society.

We should clarify that to the best of our knowledge, Cadbury employees, managers, and family members neither referred to sacralization as a process to preserve core values nor used the terms syncretism, moralism or communalism. As noted, we've introduced these concepts to guide family firms seeking to extend their core values well after the family is no longer involved in the corporation.

Unexpected Findings

Surprisingly, the study found that Cadbury's core values and their values-based decision framework persisted even when many of the descendants of the founding family were no longer Quakers. This observation illustrates the success of the firm in syncretism, or transmuting overtly religious values into a more secular and humanistic form. Equally surprising was the finding that these values continued to influence decision-making even after the firm was acquired by Kraft. Although Kraft also started as a family firm, when it acquired Cadbury Kraft was operating as a modern enterprise in which decisions are premised on rationality, instrumentality, and assumptions of maximizing self-interest.

Implications for Family Firms

A core message of our study is that the sacralization of values allows families to instill a management philosophy that endures well after their firms is no longer a family enterprise. The ability to declare some values as sacred allows families to preserve their values even well beyond their own presence in the firm. Our study demonstrates how this sacralization influences internal decisions, such as family succession, and external decisions, such as acquisitions and diversification.

Sacralization, thus, is a process that holds several important implications for family firms:

- Longevity: Sacralization of values contributes to the longevity of the firm, even after structural, managerial and ownership changes.
- Managers: Sacralization of values works best when non-family managers and executives recognize the importance of sacred values in the success of the firm and play a significant role in reinforcing and transmitting those values by prioritizing their moral and economic significance throughout the organization.
- Family Engagement: Ongoing family

engagement is important to effective sacralization. Family engagement, however, can be passive and external to the organization. Several family members played an important role in reinforcing Cadbury values in the broader corporate community, rather than internally in the organization. Sir Adrian Cadbury's influential report on corporate governance in UK corporations, informally referred to as "the Cadbury Report," is a powerful example of how the sacralization of Cadbury values can occur outside the organization.

- Financial Implications: Sacralization enhances the financial value of organizations by attracting stakeholder support. Values-based decision-making inside the organizations helps build legitimacy, status, reputation, and identity of the organization and helps ensure positive social value judgments of the organization by external stakeholders.

Key Takeaways: Family firms should focus on building their capacity to sacralize core values. This requires them to identify those values and ensure that they are expressed in secular form (are syncretic), apply an ethical standard to key decision-making practices (are moral), and reinforce internal standards of fairness, equity, and human compassion (communal).

Explore the Research

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